

Message Text

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PAGE 01 STATE 237190

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

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E.O. 11652: GDS

TAGS: EFIN, JA, US

SUBJECT: PRESS RELEASE ON YEO-MATSUKAWA TALKS IN WASHINGTON

, BEGIN LIMITED OFFICIAL USE. TEXT BELOW IS A TREASURY DEPARTMENT PRESS RELEASE DATED SEPTEMBER 2, 1976 ON DISCUSSION BETWEEN TREASURY UNDER SECRETARY YEO AND JAPANESE VICE MINISTER OF FINANCE MATSUKAWA. QUESTIONS ABOUT THE YEN, JAPANESE INTERVENTION POLICIES, ETC., SHOULD BE ANSWERED BY REFERENCE TO THIS PRESS RELEASE, AND NO ATTEMPT SHOULD BE MADE TO ELABORATE ON THE TEXT OF THE RELEASE. END LIMITED OFFICIAL USE.

2. BEGIN UNCLASSIFIED. BEGIN QUOTE. AT THE CONCLUSION OF A MEETING TODAY AT THE TREASURY DEPARTMENT, VICE MINISTER OF FINANCE MICHIIYA MATSUKAWA OF JAPAN AND UNDER SECRETARY FOR MONETARY AFFAIRS EDWIN H. YEO, III RELEASED THE

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PAGE 02 STATE 237190

TARY FOR MONETARY AFFAIRS EDWIN H. YEO, III RELEASED THE

FOLLOWING REPORT OF THEIR DISCUSSIONS:

FOR SOME TIME, WE HAVE FELT A NEED FOR CLOSER, MORE FREQUENT CONSULTATION AND CONTACT ON INTERNATIONAL ECONOMIC AND FINANCIAL ISSUES BETWEEN JAPAN AND THE UNITED STATES -- TWO FRIENDS THAT HAVE A MAJOR STAKE IN AND RESPONSIBILITY FOR A SMOOTHLY FUNCTIONING INTERNATIONAL MONETARY SYSTEM. THIS DESIRE TO STRENGTHEN CONTACT PROMPTED MR. YEO'S VISIT

TO JAPAN LAST MONTH. MR. MATSUKAWA'S VISIT TO WASHINGTON IS A CONTINUATION OF WHAT WE EXPECT WILL BECOME A REGULAR PROCESS OF MEETINGS, DISCUSSIONS, AND EXCHANGES OF VIEWS BY SENIOR ECONOMIC POLICY OFFICIALS. SUCH A PROCESS IS ESSENTIAL TO THOUGHTFUL, DELIBERATE ANALYSIS OF PROBLEMS FACING THE SYSTEM.

3. OUR DISCUSSIONS TODAY AND OVER THE PAST WEEKS HAVE DISCLOSED A COMMON VIEW ON THE PART OF JAPAN AND THE UNITED STATES OF CURRENT MAJOR PROBLEMS IN THE INTERNATIONAL MONETARY AREA AND OF THE MAIN OUTLINES OF CORRECTIVE ACTION THAT IS NEEDED.

4. IT IS CLEAR THAT A FIRST PRIORITY IS CONTINUED PROGRESS IN THE DEVELOPMENT OF A TENABLE PATTERN OF WORLD PAYMENTS BALANCES, WHICH IS FUNDAMENTAL TO A SMOOTHLY OPERATING SYSTEM THAT FACILITATES THE EFFICIENT CONDUCT OF TRADE AND FINANCE; AND THAT COUNTRIES BOTH IN DEFICIT AND IN SURPLUS HAVE A CRITICAL ROLE TO PLAY IN THE ADJUSTMENTS REQUIRED TO ACHIEVE SUCH A PATTERN. FOR COUNTRIES IN DEFICIT INTERNAL STABILIZATION AND EXCHANGE RATE ACTION RESULTING FROM THE OPERATIONS OF THE MARKET SHOULD BE COMBINED TO PRODUCE SUSTAINABLE BALANCE.

5. TRANSITIONAL MULTILATERAL FINANCING WILL BE NEEDED TO COMPLEMENT APPROPRIATE POLICIES ON THE PART OF COUNTRIES IN STRUCTURAL DEFICIT; AND COUNTRIES IN SURPLUS SHOULD BE PREPARED TO ACCOMMODATE ADJUSTMENT THROUGH THE EXCHANGE RATE, FOR THEY CANNOT BE ASKED OR EXPECTED TO INFLATE.

6. THIS REPRESENTS OUR SHARED ANALYSIS OF THE WORLD PAY-LIMITED OFFICIAL USE

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PAGE 03 STATE 237190

MENTS SITUATION AND IS WITHIN THE FRAMEWORK OF THE RAMBOUILLET, JAMAICA AND SAN JUAN AGREEMENTS. JAPAN AND THE UNITED STATES HAVE A LARGE RESPONSIBILITY FOR THE CONDUCT OF THE MONETARY SYSTEM AND INTEND TO WORK TOGETHER AND WITH OTHERS TO ASSURE THAT THE SYSTEM OPERATES SMOOTHLY AND EFFICIENTLY. END QUOTE. KISSINGER

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